



Industry Sector Analysis CZECH REP

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AIRPORT/GROUND SUPPORT EQUIPMENT

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This ISA focuses on opportunities for airport development in the Czech Republic.

The Czech Republic has one large international airport, Prague Ruzyne, and nine smaller international airports. In addition, there are 58 smaller airports or airfields, mainly used for general aviation and taxi flights.

Ten airports in the Czech Republic have international status. Four of these, Prague-Ruzyne, Brno-Turany, Ostrava-Mosnov, and Karlovy Vary, are still 100% government owned and under the supervision of the **Czech Airport Authority (CAA)**. CAA was established by the Government in 1990 to manage and operate the country's four key international airports. CAA allocates money for necessary investments in all four airports using income generated by Prague Ruzyne. The remaining airports, which are at this time considered to be of minor importance, have been privatized and are owned primarily by local municipalities.

Air Navigation Service (ANS) is responsible for purchasing and maintaining air traffic control equipment. The government established the ANS in 1995 to provide control services for all airports and to monitor aircraft movements over the country. Revenues come from charges for air-traffic-control-related services and passenger taxes. The ANS cooperates with Eurocontrol in Brussels in scheduling flights. Similarly to the CAA, the ANS allocates money for necessary

investments in airports that fall under the auspices of the CAA. Between 1992 and 2000, the ANS invested \$67 million in new technology. Implementation of the EUROCAT 2000 system was completed in 1999. The equipment was supplied by Thomson (France). No major additional investments are in the horizon.

Civil Aviation Administration (the former Civil Aviation Inspectorate) is the highest Czech civil aviation authority. The Civil Aviation Administration falls under the auspices of the Ministry of Transport and Communications.

CAA activity focuses on technical disciplines of civil aviation. The office plays an important role in defining conditions for airport operations.

Market Overview.

The development of this sector reflects political and economic changes since 1989. The increasing number of visitors has created the need to expand and upgrade airport facilities. In September 1997, the Ministry of Transport developed a privatization plan for Karlovy Vary Airport and submitted it to the Ministry of Finance as a pilot project. The Finance Ministry rejected the plan and proposed that the CAA (i.e., the four largest airports) be privatized as one single enterprise. However, no progress has been made since. CAA's property value is estimated to be about \$500 million. Because of this high value and the lack of domestic capital, foreign participation in any privatization is expected. Although the percentage that would be offered for foreign partnership has not yet been determined, it is assumed that the state would maintain a controlling share.

Each of the CAA-supervised airports has developed its own niche market:

Karlovy Vary, the smallest international airport, accommodates the tourist industry, with private and charter flights coming mainly from Germany, Russia and the NIS. In 2000, the airport handled 19,919 passengers, an 11.4% increase to 1999. This demand has convinced Czech Airlines (CSA) to add a second regular weekly Boeing 737 charter flight between Karlovy Vary and Moscow. The airport's 2,150 m long asphalt runway handles up to 50 small to medium size aircraft movements daily. The airport has provisions for Visual Flight Rules (VFR) and Instrument Flight Rules (IFR) flights, is equipped with two Non-Directional Beacons (NDBs) and Distance Measuring Equipment (DME) navigation aid. The terminal's main building was recently refurbished to increase its capacity for serving 200 passengers per hour.

Ostrava – Mosnov is the biggest regional airport in the Czech Republic with a 3,500 m long concrete runway. The airport offers domestic and international scheduled and non-scheduled flights, including daily connections to Prague, Vienna and Berlin. It can also handle cargo services. Two million people live in the airport's surrounding area. Centrally located in Europe and in close proximity to both Poland and Slovakia, the airport serves as important entry point for many passengers and air cargo to North Moravia and Upper Silesia industrial region, a locality of the highest concentration of economical potential in the country. In 2000, the number of passengers increased by 4.4% to 114,904 people. A year-on-year cargo volume has increased for 225% to 592,200 K. The airport can very easily serve the several U.S. companies that have manufacturing facilities in the region. They include Visteon Automotive Systems, Motorola, Dura Automotive, Hayes Lemmerz.

The central apron can handle five Boeing 737s simultaneously and a remote parking area can accommodate up to ten Boeing 707-size jets. The main terminal building has undergone extensive

renovation, thus increasing its capacity for servicing 1 million passengers a year, or 700 passengers per hour.

Due to the high economic growth potential of the North Moravia region, the U.S. Commercial Service in Prague encouraged the CAA management to submit a project on modernizing the Ostrava airport for a U.S. Trade and Development Agency (TDA) grant. TDA approved a \$240,000 grant in the summer 2000 and an agreement between TDA and CAA was signed in September 2000. The Florida-based company Birk & Hillman was selected to develop a feasibility study for upgrading and expanding the Ostrava airport.

The total investment to complete the project is estimated at \$70-80 million. This includes a new terminal, a cargo facility, an aircraft maintenance and spare parts facility, and all air traffic control tower upgrades. It is envisioned that the central and regional governments will allocate approximately \$30 million for the project and \$40-50 million will be financed through a combination of an EBRD (European Bank for Reconstruction and Development) loan, supplier's credits and export financing.

Brno – Turany, primarily a charter airport serving a vast majority of its operations between May and September. During the peak months of July and August, the airport serves up to seven charter departures daily, flying almost exclusively to seaside resorts in Greece, Spain, Tunisia, Turkey. A recently refurbished terminal building has the capacity to accommodate 500,000 passengers a year. The airport includes an air traffic control tower, a fire and rescue station, a new fuel depot and maintenance workshop. Navigation equipment includes VHF omni-directional range (VOR) and Distance Measuring Equipment (DME) guidance technology. There is a single 2,650 m long concrete runway and a parallel taxiway. A CAT I Instrument Landing System (ILS) runway can accommodate aircraft the size of a Boeing 474. In 2000, the airport served 112,797 passengers, 11.8% fewer than in 1999. The big advantage of the airport is its vicinity to the D1 main highway. Prague is three hours away by car and there are very easy highway to Bratislava, the capital of the Slovak Republic and to Vienna, the capital of Austria.

Prague – Ruzyne is the main gateway to the country. As mentioned above, Prague Ruzyne is the only profitable airport in the country, thus providing necessary financial resources for the other three international airports.

This airport has experienced tremendous growth over the last decade. During the 1990s, the number of passengers increased by almost 15 percent a year. In 1991, Prague Ruzyne served 1.54 million passengers, while in 2000 the number quadrupled to 5.8 million people. It is estimated that between 2001 and 2010, air traffic at Ruzyne Airport will increase by as much as 190 percent. Cargo traffic is projected to increase by as much as 180 percent.

The first significant investments in Prague-Ruzyne were made between 1995 and 1997. In 1997, a new \$115 million passenger terminal (North Terminal) opened that doubled the capacity of the airport. The North Terminal is equipped with three piers and 14 gates, 11 of them equipped with retractable airbridges. In 1998, a new cargo terminal and office building opened. This new cargo terminal was financed and is operated by the company Czech Ogden. This company has signed a 25-year lease with the CAA for a site close to the North Terminal. The cargo complex capacity is up to 100,000 tons a year (current cargo quantity is 30,300 tons) and can simultaneously handle three Boeing 737s freighters.

Another aspect that will increase the importance of the Prague Ruzyne airport is the agreement signed between the Czech Airlines (CSA) and SkyTeam alliance. The alliance consists of the U.S.-

based Delta, Air France, Aeromexico, and Korean Air. Full commercial cooperation between CSA and the SkyTeam will begin in the summer 2001. CSA interlines will be linked to SkyTeam interlines. Prague Ruzyně Airport will then have the opportunity to become a main hub for SkyTeam members for flights to Central and Eastern Europe and the Middle East.

The airport can handle 36 movements per hour. While Ruzyně ranks 27th in Europe for the number of flights per year (around 70,000), it is second in Central Europe after the Okecie Airport in Warsaw. Ruzyně has three concrete runways (3,715 m; 3,250 m; 2,120 m), two terminals for cargo check-in and four passenger check-in terminals. The 3,715 m long runway is equipped with Instrument Landing System (ILS) CAT IIIb technology that guarantees safe landings and take-offs even under inclement weather conditions, such as lower visibility (less than 50 m) and low cloud base. The remaining runways are equipped with CAT I, or with a simple approach lighting system and PAPI I. The over 200,000 square metres of the asphalt-concrete apron at North Terminal can handle 30 aircraft of different sizes simultaneously.

The airport serves 36 airlines, including Air France, Alitalia, British Airways, LOT, KLM, MALEV, Swissair, Aeroflot, are served by the airport. In addition, the airport handles 12 charter airlines, including Czech market leading operators Fischer Air and Travel Servis. In 2000, the airport handled 94,117 aircraft movements which number represents a 5 percent increase over the previous year.

Planned investment activities in the Prague Ruzyně Airport between 2001 and 2005:

- completion of a \$14 million five-story parking facility with the capacity of over 3,000 parking spaces in 2001
- construction of a 260-bed hotel in 2001
- extension of a \$14-15 million pier B (North Terminal) in 2002
- construction of a new terminal North 2. The investment estimated at \$162 million will be finished in 2004. The terminal North 2 will serve passengers from non-EU countries.
- construction of an additional runway starts in 2005, an investment estimated at \$82 million
- a rapid rail link from the airport to Prague downtown in 2005

In addition to these major airports, there is a portfolio of minor airports. Of them, Plzeň appears to have a growing potential. The potential relates to German and Austrian ownership of several companies in the region. The then military airport was transferred under civil umbrella in early nineties. In 1996, the Czech company Orchard was awarded a long term lease of the airport infrastructure. Orchard was proposing the development of an industrial transpark consisting of a new cargo airport. Even though cargo is expected to be the major revenue component for the airport, there may be opportunities for small volumes of passenger traffic and general aviation. In 1997, a feasibility study was prepared by Bechtel Aviation Services, Acres International Limited, and KPMG.

Market Access

Airport related technology, security, computer technology products and services from the United States are highly regarded in the Czech Republic. No significant domestic production of airport equipment exists. Major suppliers are USA, Germany, Finland, Israel, and France. Most projects are not publicly tendered and U.S. firms are encouraged to directly contact managers of individual airports and the CAA.

Financing

Czech companies are familiar with common methods of international payment, such as letters of credit, documentary collections, and wire transfer/cash in advance. Most prefer not to use a letter of credit due to its high cost, especially in the case of smaller shipment.

The most common methods are prepayment or partial payment with balance due upon delivery or net 30 days term. To compete with European suppliers, American exporters should be willing to work with their Czech buyers to provide flexible payment terms. In this regard, the export working capital programs of the Small Business Administration, as well as export credit insurance offered by the Export-Import Bank, may be helpful in allowing U.S. exporters to offer more generous credit terms to their Czech customers. Firms may also opt for commercial financing through the following institutions, which have correspondent U.S. banking arrangements.

Citibank, a.s.
William Rocca, Global Relationship Bank Head
Evropska 178
166 40 Prague 6
phone: 420-2-2430-4380
fax: 420-2-2430-4383
e-mail: william.rocca@citicorp.com

Ceskoslovenska obchodni banka
Vlastislav Navratil, Director
Corporate Banking Department
Panska 9
115 20 Prague 1
phone: 420-2-6135-3142
fax: 420-2-2423-0328
e-mail: vnavratil@csob.cz

Komerční banka
Ms. Jana Svabenská, Export/Import Financing
Na Příkopě 33
110 00 Prague 1
phone: 420-2-2243-2018
e-mail: jana_swabenska@kb.cz

Economic Situation

The Czech Republic has gone a long way in privatizing its economy and bringing its norms in line with European Union (EU) standards. Integrating the Czech Republic with the EU is a top government priority. About 80% of the Czech Republic's enterprises are in private hands and the private sector accounts for about 77% of the nation's output. Following a severe recession in the late 1990's, the Czech economy grew by an estimated 2.8% last year and is expected to grow by 3% in 2001. Inflation remains low at 4% with unemployment measuring 8.5%.

Low inflation coupled with sustained economic growth is being affected by concerns about widening fiscal deficits and the speed of structural and institutional reforms. EU accession and conversion to the euro-zone remain the main policy goals. The Czech Republic is expected to be in the first wave of EU expansion which is estimated to be in 2005 at the earliest.

The Czech Republic escalated efforts to encourage foreign investment by adopting an investment incentive package in April 1998. Investments eligible for incentives must be at least \$5 million and in regions with unemployment higher than the country's average. Corporate tax relief is granted to new applicants for 10 years and for five years for existing companies investing in enlargement of their activities in the Czech Republic. Investment incentives include income tax relief, subsidies to municipalities where production will occur, transfer of state-owned land for related constructions and subsidies for the creation of new jobs and staff retraining.

Foreign direct investment is crucial to the diversification of the Czech economy, as the country does not produce items such as telecommunications equipment, nonferrous metals, plastics, chemicals, transport machinery or specialized metalworking equipment. Modernizing the telecommunications and transportation sectors is a priority for the government. All transport sectors, including railway, highway, inland waterway and air have been targeted for infrastructure upgrade. Foreign investment in the country is gradually increasing. Between 1991 to 2000, Germany topped the list, with investments totaling \$5.7 billion, followed by the Netherlands \$4.6 billion, and Austria \$2.3 billion. The USA was fourth largest investor, at \$1.7 billion. The largest U.S. investments were in the energy sector, followed by smaller but frequent amounts made in the telecommunication, automotive, aviation and food sectors.

U.S. firms interested in learning more about the investment incentives should contact the CzechInvest, the Czech agency for foreign investment office.

CzechInvest's Headquarters:

Stepanska 15
120 00 Prague 2
phone: 420-2-9634-2500
fax: 420-2-9634-2502
contact: Rene Samek, Director of Marketing and PR
e-mail: marketing@czechinvest.org
www.czechinvest.org

CzechInvest's office in USA:

The Merchandise Mart, Suite 489
200 World Trade Center
Chicago, Ill 60654
Phone: 1-312-245-0180
Fax: 1-312-245-0183
contact: Hana Lasslerova
e-mail: czechin@ais.net

Trade Fairs and Exhibitions

There are no major trade fairs or exhibitions related to airports in the Czech Republic.

List of Contacts:

Government:

Ministry of Transport and Communications
Nabrezi Ludvika Svobody 12
110 15 Prague 1

Civil Aviation Administration
Contact: Oldrich Gorgol, Director
phone: 420-2-5143-1357
fax: 420-2-5143-1032
www.mdcrcz.cz

Airports:

Czech Airport Authority
Airport Prague Ruzyně
160 08 Prague 6
contact: Milos Stastny, General Director
phone: 420-2-2011-3113
fax: 420-2-3535-0922
e-mail: milos.stastny@csa.cz
www.csa.cz

Airport Ostrava
742 51 Mosnov
contact: Michal Cervinka, Director
phone: 420-69-6659-135
fax: 420-69-6659-105
e-mail: cervinka@airport-ostrava.cz

Airport Brno
627 00 Brno
contact: Tomas Placek, Director
phone: 420-5-4521-6109
fax: 420-5-4521-6357
e-mail: placek@airport-brno.cz

Airport Karlovy Vary

360 01 Karlovy Vary
contact: Vaclav Cerny, Director
phone: 420-17-333-1102
fax: 420-17-333-1106
e-mail: handling@airport-k-vary.cz

Authorities related to airport operations:

Air Navigation Service (ANS)
Airport Ruzyně
160 08 Prague 6
contact: Petr Materna, General Director
phone: 420-2-2037-3201
fax: 420-2-20387-3007
e-mail: materna@ans.cz

Civil Aviation Authority
Ruzyně Airport
160 08 Prague 6
contact: Boleslav Stavovcik, Director
phone: 420-2-2011-2080
fax: 420-2-2056-1823
e-mail: stavovcik@caa.cz

Commercial Service
American Embassy
Trziste 15
118 01 Prague 1
contact: Hana Obrusnikova, Commercial Specialist
phone: 420-2-5753-1162
fax: 420-2-5753-1165
e-mail: hana.obrusnikova@mail.doc.gov
www.usatrade.gov

ISA Customer Satisfaction Survey

U.S. Department of Commerce
International Trade Administration
The Commercial Service

The U.S. Department of Commerce would appreciate input from U.S. businesses that have used this ISA report in conducting export market research. Please review the privacy statement / disclaimers at the bottom of this Web site. Please take a few moments to complete the attached survey and fax it to 202/482-0973, mail it to QAS, Rm. 2002, U.S. Department of Commerce, Washington, D.C. 20230, or Email: [Internet\[Opfer@doc.gov\]](mailto:Internet[Opfer@doc.gov]).

* * * About Our Service * * *

1. Country covered by report: _____

Industry/title: _____

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the ISA service?

- ☐ Direct mail
- ☐ Recommended by another firm
- ☐ Recommended by Commerce staff
- ☐ Trade/state/private newsletter
- ☐ Department of Commerce newsletter
- ☐ Other (specify): _____

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- ☐ Overall objectives
- ☐ Accuracy of information
- ☐ Completeness of information
- ☐ Clarity of information
- ☐ Relevance of information
- ☐ Follow-up by Commerce representative

4. In your opinion, did using the ISA service facilitate any of the following?

- ☐ Decided to enter or increase presence in market
- ☐ Developed an export marketing plan
- ☐ Added to knowledge of country/industry
- ☐ Corroborated market data from other sources
- ☐ Decided to bypass or reduce presence in market
- ☐ Other (specify): _____

5. How likely would you be to use the ISA service again?

- ☐ Definitely would
- ☐ Probably would
- ☐ Unsure
- ☐ Probably would not
- ☐ Definitely would not

6. Comments:

* * * About Your Firm * * *

1. Number of employees: ___1-99 ___100-249 ___250-499
___500-999 ___1,000+

2. Location (abbreviation of your state only):_____

3. Business activity (check one):

___Manufacturing

___Service

___Agent, broker, manufacturer's representative

___Export management or trading company

___Other (specify):_____

4. Value of export shipments over the past 12 months:

___Less than \$10K

___\$11K-\$100K

___\$101K-\$500K

___\$501K-\$999K

___\$1M-\$5M

___More than \$5M

May we call you about your experience with the ISA service?

Contact name: _____

Phone: _____

Fax number: _____

Email: _____

Thank you--we value your input!

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